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Costa Rica

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Costa Rica Plans to Forgive Agricultural Loans

Report Categories:

Agriculture in the News

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Report Highlights:

Costa Rican legislators are planning to forgive approximately \$14 million worth of agricultural debt to small producers. However, the plan has been questioned since it was discovered that a number of large producers were included among the small farmers.

General Information:

Costa Rican legislators forgive \$13.7 million debt to farmers.

A bill to eliminate \$13.7 million of debt owed by 7,042 small farmers in Costa Rica is on the verge of becoming law. This bill, entitled "Law for the support and strengthening of the Agricultural Sector" was supported by 40 of the 57 legislators in the Costa Rican Legislative Assembly. If passed, it will forgive loans owed by the farmers to two defunct agricultural development funds (the Agricultural Trust Fund or FIDAGRO and the Productive Reconversion Fund) both phased out by the Government several years ago and

consolidated under the “Development Bank System”. The Development Bank System was created by law in April, 2008, at which time legislators forgave \$34 million of farmer’s debt.

Opponents of the bill argue that the newly created Development Bank System will be weakened if the bill passes because it would forfeit resources from loan repayment. The bill still has to go through one more vote before it becomes law. Allegations abound that many of the so called small farmers are not even farmers, are not so small, and individually owe large amounts of money by local standards. Editorials argue that passage of the bill will set a bad precedent as many producers will have expectations that the government will forgive all their debts.